

Virginia Department of Taxation
Taxpayer Application for Qualified Equity and
Subordinated Debt Investments Tax Credit

TAX YEAR ENDING

, 20

Submit this form by April 1. Credit must be approved before being claimed on your tax return. See instructions for details.

Name	Official Use Only
SSN, FEIN or Virginia Account Number	Req. \$ _____
Street address	App. \$ _____
City, State and ZIP Code	Date: _____
Entity Type: ____ Individual ____ Partnership ____ LLC ____ S Corporation	

If you made a cash investment in a qualifying business in the form of qualified equity or subordinated debt, submit this application with the Virginia Department of Taxation. The Department will determine the allowable credit amount. The credit is equal to 50% of the amount of all qualifying investments made during the taxable year. The aggregate amount of credit that may be claimed per taxpayer per year is limited to the amount of tax or \$50,000, whichever is less. The credit is nonrefundable, however, excess credit may be carried forward for up to fifteen years. The allowable credits will be prorated by the Department of Taxation if total annual requests exceed \$5 million. Penalties and forfeiture of this credit may apply if the equity investment is held for less than five years following the year the credit is allocated or on any subordinated debt investment that is held for less than three years. **IMPORTANT:** See instructions for details on when and where to submit. Submitting a late application will disqualify you for the credit.

PART I - BUSINESS ENTITY IDENTIFICATION

Complete a section for each qualifying investment. You must have a department issued QBA-C from each qualifying business. Do not include investments in which you or any family members, or any entity affiliated with you, receives or has received compensation from the qualified business in exchange for services provided to the business as an employee, officer, director, manager, independent contractor or otherwise connected within one year before or after the date of investment. Attach additional pages if needed.

1. Name of Qualified Business Entity: _____
2. Certificate Number from Form QBA-C provided by the qualified business: _____
3. Name and type of investment (i.e. equity or subordinated debt) _____
 Date Qualified Investment Made _____ Amount of Qualified Investment \$ _____
 Purchased from _____

1. Name of Qualified Business Entity: _____
2. Certificate Number from Form QBA-C provided by the qualified business: _____
3. Name and type of investment (i.e. equity or subordinated debt) _____
 Date Qualified Investment Made _____ Amount of Qualified Investment \$ _____
 Purchased from _____

PART II -TOTAL CREDIT REQUESTED

1. **TOTAL QUALIFIED INVESTMENT** (including any amounts listed on separate pages) \$ _____
2. Multiply TOTAL QUALIFIED INVESTMENT (line 1) amount by **0.5**(50%) enter result here: \$ _____

Under penalty of law, I have read and understand the limitations and restrictions for this credit.

Taxpayer Signature: _____ Title: _____

Printed Name: _____ Date: _____ Phone: _____

Tax Preparer Name: _____ Phone: _____

Address: _____

Instructions for Form EDC, Application for Qualified Equity and Subordinated Debt Investment Tax Credit

When To Submit Application

Submit Form EDC as soon after receiving all Form(s) QBA-C for qualified investments made during your tax year and as soon as possible BEFORE your tax filing deadline. For calendar year taxpayers making a qualified investment during 2001, submit this application and all supporting documentation no later than April 1, 2002.

For taxable years ending after January 1, and on or before December 31, submit this application and all supporting documentation no later than April 1 of the following year.

What To Attach

Attach a copy of the qualified business' certification (issued to the business by Department of Taxation), Form QBA-C, and the business' statement describing the investment by amount, type and date with verification by the business that the investment meets the definition of a qualified investment for purposes of claiming the credit pursuant to *Code of Virginia* § 58.1-339.4. Proposed regulation 23 VAC 10-110-225 et. seq. provides additional information on how this credit applies.

Where To Submit Application

Submit Form EDC and attachments with **Department of Taxation, ATTN: Capped Credit Unit, P. O. Box 715, Richmond, VA 23218-0715.**

What To Expect From the Department of Taxation

All applicants should receive a letter acknowledging their EDC application. If you have applied by the April 1 deadline and have not received an acknowledgement letter from us by May 15 please call the Capped Credit Unit at 804-786-2992. The Virginia Department of Taxation will review all applications for completeness and notify taxpayers of any errors by June 1.

If any additional information is needed, it must be provided no later than June 15 in order for the investment to be considered for the tax credit. All eligible taxpayers shall be notified by June 30 as to the allowable credit amount that may be claimed for the qualified investment. If the total eligible credit requests received exceed the Commonwealth's annual \$5 million limitation, each taxpayer shall be granted a pro rata amount as determined by the department. The amount of credit that is deducted from the requested amount via proration is lost.

What Does The Taxpayer Need to Do

Upon receiving notification of the allowable credit amount, taxpayers may claim the allowable credit amount on the applicable Virginia income tax return and compute any carryover credit amount.

IMPORTANT: Taxpayers who do not receive notification of allowable credit amounts before their Virginia income tax return due date must file the appropriate return extension request or file their regular return without the credit and then file an amended tax return after receipt of notification of the allowable credit amount to claim the tax credit.

Required Investor Holding Period

Equity received in connection with a qualified business investment must be held by the taxpayer for at least five calendar years following the calendar year for which the credit is allocated except in any of the following: the liquidation of the qualified business issuing the equity, a merger, consolidation or other acquisition of the business with or by a party not affiliated with the business or, death of the taxpayer. Subordinated debt must be held for 3 years.

Penalty for Not Meeting the Required Holding Period

If the required holding period is not met, the taxpayer must forfeit the unused credit amount and will be assessed for the credit utilized, to which will be added a 100% penalty plus interest, computed at the rate of 1% per month, compounded monthly from the date the tax credits were claimed.

Pass-Through Entities

Each pass-through entity must provide the Department of Taxation (Capped Credit Unit) a copy of the schedule listing the name, address, social security number (or FEIN), and the amount of distribution allocated to each shareholder, member or partner. This information should be sent to: **Department of Taxation, ATTN: Capped Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** within 60 days of making the distribution.

All pass-through entities distributing this credit to its owner(s), shareholders, partners or members must provide the same with a copy of the EDC certification letter and distribution statement specifying the individual's amount and percentage of the authorized credit for the business entity.

Where To Get Help

Write the **Department of Taxation, ATTN: Capped Credit Unit, P. O. Box 715, Richmond, VA 23218-0715** or call **804-786-2992**. To order forms or a copy of proposed regulations call **804-236-2760, or 804-236-2761**. Visit **www.tax.state.va.us** to obtain most Virginia income tax forms and additional tax information. Forms are also available from your local Commissioner of the Revenue, Director of Finance or Director of Tax Administration.